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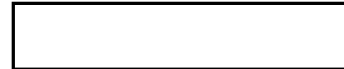
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Intelligence Memorandum

The Bahamas Strike Off on Their Own

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THE BAHAMAS STRIKE OFF ON THEIR OWN**Summary**

On 10 July, the Bahama Islands will become the 33rd independent member of the British Commonwealth and the fifth British colonial possession in the Atlantic-Caribbean area to gain nationhood in the last 11 years. Full independence will be more a formality than a bold new departure for the Bahamas, since the islands have been almost wholly self-governing for several years. What will be new are the opportunities the Bahamians will have to set their own policy courses abroad and to make themselves heard on international issues.

The Bahamian Government is likely to play a generally responsible role in the international community. A sense of nationalism and identification with the causes backed by the less developed countries will sometimes impel the Bahamas along paths divergent from those of the US and the other large powers. Many Bahamians already have mixed feelings about their giant neighbor to the northwest, and independence can be expected to accentuate the differences. The islands' long-standing ties with Britain and the US, their dependence on US tourism and money, and the basic practicality of the Pindling government will tilt the scales heavily in favor of a continued close association with the US and the West.

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Lynden O. Pindling
Prime Minister



Paul L. Adderley
Minister of External Affairs



Arthur D. Hanna
Minister of Finance

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Pindling and His Government

Prime Minister Lynden O. Pindling, 43, has headed the government since 1967. He was the first black prime minister in the Bahamas, where 80 percent of the 195,000 citizens are black. A popular leader, sometimes hailed by his people as a modern-day Moses, he led his Progressive Liberal Party to a thumping victory in the elections last September on a platform that stressed "independence now." He has exhibited a deep-rooted nationalism in his public speeches, but as the leader of an almost independent country he has shied away from inflammatory and irresponsible statements. He has steered an adroit and prudent course on controversial issues and has remained closely attuned to the majority of his countrymen. On the other hand, he is not a strong administrator, and the only real challenge to his authority in recent years has come from within his own party. Party dissidents came close to bringing Pindling down on a no confidence vote in October 1970, but since then Pindling has apparently strengthened his position.

On the whole, Pindling's cabinet inspires less confidence than Pindling. Most of its members are people of mediocre ability. Those that have demonstrated some abilities have, at the same time, been controversial and hard to handle. One of these, Deputy Prime Minister and Minister of Finance Arthur Hanna, is a radical nationalist with a deep-seated distrust of Americans and Britons. He was home affairs minister until early this year, and in that post he was the chief architect of the "Bahamianization" policy that sought to replace foreign workers with Bahamians, few of whom were trained for the jobs they were to assume. Hanna's restrictions on foreign workers have recently begun to be eased in order to halt the exodus of skilled technicians. Another cabinet minister who has caused problems for Pindling is Minister of Development Carlton Francis, also an avid nationalist. Until last March, he had been finance minister for six years and had set policies that alienated many domestic and foreign businessmen. Eventually he came under considerable public criticism for mismanagement of the treasury and for frightening away foreign investors.

Pindling's most capable lieutenant is probably Minister of External Affairs Paul Adderley, an intelligent if somewhat abrasive "conservative" in the local political context. In recent months Adderley has become a close adviser of the prime minister, but their relationship is probably more a marriage of convenience than a permanent relationship. Adderley may well harbor ambitions of someday succeeding Pindling.

One of the first problems that the government will face after independence is a dearth of trained and qualified civil servants. The islands, only recently self-governing, have not had sufficient time to develop an adequate number of administrators and technicians. The problem was made more acute when a number of supporters of the opposition party were purged from government jobs following the elections last fall.

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The Opposition

The Pindling government can at least devote most of its time and energies to dealing with the problems that independence will bring, since it is not likely to face elections before early 1977 and since there is no vigorous and popular opposition party to challenge it. The most important opposition party is the Free National Movement, an amalgam of dissidents from Pindling's party and remnants from the old United Bahamian Party that controlled the government until 1967. Although the movement's candidates garnered nearly 40 percent of the vote last fall, it won only nine of the 38 seats in the lower house of the national legislature. Party leader Cecil Wallace-Whitfield, a former colleague of Pindling, failed to win re-election last year and turned leadership over to Kendal Isaacs, an outspoken critic of the government and a former attorney general. Isaacs was not an effective leader, and on 8 June he stepped down, leaving a weak, seriously divided organization. Chances seem poor that the Free National Movement's disparate components, ranging from young, black political activists to a small group of wealthy white Bahamians who formerly monopolized local commerce and politics, can achieve sufficient unity and discipline to become an effective party.

Pindling is also fortunate in that there are relatively few organized extremists in the Bahamas. There is no Communist party and no sizable black radical movement. The closest thing to a revolutionary party is the small Vanguard Nationalist and Socialist Party, which includes both "black power" and extreme leftist elements, but which thus far has stayed away from violence.

The government is, however, keeping a wary eye on the island of Great Abaco, where a small group of militants, many of them whites, has been loudly agitating to secede from the Bahamas and remain under British rule. The loosely organized group, which calls itself the "Council for a Free Abaco," lobbied extensively but unsuccessfully in London for permission to remain a British colony. Most persons associated with the group deny any intention of fomenting violence, but the group includes young toughs who are believed to have access to weapons and explosives and could, if they chose, generate a violent incident of some sort around the time of independence. The Pindling government as a whole seems to regard the Abaco secessionists as little more than a nuisance, but Pindling himself has tended to take them very seriously.

In the event of an internal security problem, the government would rely on its police force; Pindling has no plans for an army. The capable, British-trained police force, which now numbers about 900 men, may be somewhat expanded following independence. It should be able to handle almost any domestic security problems.

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The Economy

The economic outlook in the Bahamas is mixed. A number of factors give the new nation somewhat better prospects than many of its island neighbors enjoy. Per capita income is high—about \$1,800 per year—and the unemployment rate of seven percent, although increasing, is still low by West Indian standards. Perhaps the islands' strongest pluses are their idyllic climate and their proximity to the US. The Bahamas are among the top tourist attractions in the world. Last year, more than 1.5 million persons visited them. Their proximity to the US makes the islands especially attractive to US investors, particularly those interested in tourist facilities and, more recently, petroleum refining.

There are also difficulties. The most important right now is the pervasive uncertainty about the intentions and capabilities of the Pindling government in handling economic issues. The economy remains seriously vulnerable to sudden fluctuations in the tourist business—a notoriously unpredictable industry. Some consider the islands to be overly dependent on US investments. In time, an expanding petroleum refining and transshipping industries could come into direct conflict with the tourist business.

Shortly after Prime Minister Pindling won re-election last fall and announced that he was taking the country to independence this year, a business panic of sorts developed. So many foreign investors, alarmed by the newly independent and avowedly nationalistic government, packed up and left that the government was forced to enact hasty measures placing tight restrictions on the outflow of foreign exchange. The ebb of business confidence was not helped by rumors that the government was deeply in the red and that a massive budget deficit was looming.

Subsequent developments proved some of the concerns of the investors to be exaggerated. The budget deficit last year turned out to be less than \$10 million, instead of the \$15 million originally predicted, and the exodus of foreign capital gradually slowed. In early 1973 there were rumors that Pindling would move away from his earlier stress on economic nationalism toward more moderate and prudent financial policies. Thus far, however, Pindling has made no move to replace some of the more irresponsible Bahamians charged with economic policymaking, and foreign investors, although perhaps less jittery, seem inclined to wait and see what the government does after independence.

Pindling appears to be basing some of his hopes for future economic prosperity on the oil business. Only one refinery is now located in the islands—the Bahamas Oil Refining Company situated at Freeport on Grand Bahama Island. The company is owned by two US refining companies. Their facility, which began production in 1970, is being expanded, and its output should reach about 500,000 barrels daily by late this year. Other companies

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are considering setting up refineries on Grand Bahama. The British-owned Burmah Oil Company is now constructing a \$45-million oil transshipment terminal on Grand Bahama that can be used by supertankers to transfer their cargoes to smaller vessels for delivery to the US east coast. This facility will provide employment for 900 Bahamians, and the Pindling government, with an eye on the oil-hungry US market, can be expected to advertise its fine deep-water port in an effort to attract other investments of this type.

Pindling apparently recognizes that in the long run his country's economic fate is strongly linked to and dependent on the US. Tourism, which continues to provide the lion's share of the Bahamas' foreign exchange earnings, income, and employment, waxes and wanes in direct relation with US economic conditions; some 87 percent of the islands' visitors in 1970 came from the US. American direct investment in the Bahamas totals over \$1 billion and is growing. With assets of this magnitude at stake, Pindling will probably try to avoid actions that scare off new investment. His success in doing so, however, may be limited by strong domestic pressures for continuing and expanding the "Bahamianization" process.

Foreign Relations

Independence is unlikely to result in a significant shift in the Bahamas' normal alignment with the US and the UK, although nationalism will impel the government to side with some of the smaller countries of the so-called Third World on some issues. Proximity and a common heritage will incline the Bahamas toward a closer relationship with the countries of the British Commonwealth Caribbean than with Latin American countries. As a new nation with an English-speaking, predominantly black population, the Bahamas may also identify to some degree and make common cause with the English-speaking countries of black Africa. The country's limited budgetary resources and shortage of experienced diplomats will mean that its role in international diplomacy will be minor. In the beginning, at least, the fledgling Bahamian diplomatic service is likely to be able to come up with no more than ambassadors to the US and the UN, a high commissioner in London, and consular officers in New York, Miami, and a suitable Caribbean post.

The Bahamians may feel compelled to establish diplomatic ties with Cuba, which is as close a neighbor as the US. Problems involving maritime boundaries, Cuban fishing activities in and near Bahamian waters, and possible Cuban exile activities in the Bahamas are likely to keep cropping up, and these will lead to pressures on Pindling to establish relations. On the other hand, there is little cultural or political affinity between the two countries. Pindling is reported to hold Fidel Castro in some respect, but neither he nor any sizable group in the Bahamas can be described as "pro-Castro."

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While the Pindling government is unlikely to become embroiled in serious international wrangling, it is likely to take a stand on territorial waters that could lead to friction with other countries, including the US. Bahamian officials from Pindling on down have declared that they intend to adhere to an archipelagic concept in defining the nation's sea boundaries--that is, the Bahamas will claim all waters within 12 miles of the outer perimeter of the entire 700-island Bahamian island chain. This would mean, in effect, that the Bahamas Government would have jurisdiction over sea lanes now heavily used by US and other foreign shipping. The Bahamians assert that they will seek to guarantee free passage through these waters, but insist that sovereignty must remain Bahamian for reasons of national security, control over smuggling, and environmental protection. The matter can be expected to provoke considerable discussion and controversy before and during the international Law of the Sea meeting in Geneva next year.

US Military Bases

In general, however, US-Bahamian relations are good. Foremost among the bilateral issues still to be settled are the three defense-related US bases in the Bahamas, established during World War II by US-UK agreement. The Bahamians heretofore have received no remuneration for the US use of these bases, and the terms under which they will continue operating are still to be negotiated. The three bases, valued roughly at \$180 million, are maintained by some 700 US military and civilian personnel and employ about 250 Bahamians. Of the three installations, the most important is the Navy's anti-submarine warfare facility on Eleuthera Island. Another, the Atlantic Undersea Test and Evaluation Center on Andros Island, is especially well located for research and development of naval weapons systems. Both the US and the UK use the latter facility and regard it as important. Relocation of the three bases would be costly and would take from two to four years.

The Pindling government has given no indication that it wants the bases removed. To the contrary, Pindling has said that he considers their continued presence "no problem." No difficulty is anticipated in getting his government to agree to extend the existing base arrangements temporarily until new ones can be negotiated.

While the Bahamians have yet to communicate formally what sort of price tag they intend to attach to the new agreements, preliminary indications are that their demands will be substantial. During the election campaign last fall, some members of Pindling's party told voters that they expected to solve the government's financial problems by exploiting the US military bases to the fullest. In May it was reported that the Bahamians intended to use the undersea test center as the principal bargaining point in negotiating with the US. A Bahamian official told the US consul general in early June that cabinet ministers were "thinking of" an annual base rental

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figure of \$5 million, or alternatively a sizable grant of equipment like fixed-wing aircraft, helicopters, marine patrol craft, and radio-equipped jeeps.

The Bahamians have held their cards very close. They have been very discreet about what positions they will assume during the negotiations, but there are indications that they will be well-prepared for the talks. Pindling seems firmly convinced that close cooperation with the US is the best guarantee for Bahamian national security, and thus protracted arguments over base agreements or repeated efforts to get more money for the bases seem unlikely for now.

